DLA
Providing Best Value Logistics Support

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Performance Based Logistics

Strategic Supplier Alliances

Strategic Materiel Sourcing

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TODAY'S PRESENTATION

- PERFORMANCE BASED LOGISTICS
- STRATEGIC SUPPLIER ALLIANCES
- STRATEGIC MATERIEL SOURCING
- TARGETS OF OPPORTUNITY

PERFORMANCE BASED LOGISTICS

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- "Results Based On Measurable Outcomes"

- **PBL "Value Added" Outcomes:**

  - Methods / Techniques Describing and Communicating Measurable Outcomes
  - Reliability / Maintainability Improvements
  - Increased Readiness & Inventory Availability
  - Improved Customer Logistics Support
  - Reduced Costs To Military Customers & DLA

PERFORMANCE BASED LOGISTICS

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- **Agency Strategy For Sole Source Hardware Items: Placement Under <u>Strategic Supplier Alliances</u>**

- **Current / Proposed DLA SSAs Account For $2.5 Billion In Annual Demand Value**

- **Sole Source Items May Also Be Included In DLA Military Services' Partnerships**

- **Competitive Items Not Under Sole Source SSA Suppliers May Fall Under Strategic Materiel Sourcing (SMS) Program**

PERFORMANCE BASED LOGISTICS

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- **SMS Is Umbrella Initiative Encompassing "Shift To Commercial Practices Contracting Initiatives"**

- **SMS Population Meet Criteria Screening Below:**

- **Sales (Drivers) / Customer Demand / Lost Sales**
- **Not Mission Capable Supply Information**
- **Inventory Coverage**
- **Readiness Criteria…I.E. Weapon Systems Indicator Codes, Anticipated Military Needs**

PERFORMANCE BASED LOGISTICS

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- **PBL Initiatives And Strategies Underway:**
  - **Strategic Supplier Alliances**
  - **Strategic Materiel Sourcing**
  - **Virtual Prime Vendor**
  - **Prime Vendor Arrangements**
  - **Corporate Contracts**
  - **Standard Long Term Contracts**

PBL Contracting Impacts

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Standard Long Term Contract	Corporate Contract	Prime & Virtual Prime Vendor	Strategic Supplier Alliance

Reduced Administrative Lead Time & Costs

Reduced Production Lead Time & Inventory

Reduced Infrastructure Costs

Time / Resources Required To Complete

TODAY'S FOCUS

- Strategic Supplier Alliances
- Strategic Materiel Sourcing

STRATEGIC SUPPLIER ALLIANCES

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- **DLA Director's Direction To Inventory Control Points …..Increase Strategic Supplier Alliances With Key Suppliers**

  - **Become Value Added Provider of Choice**
  - **Deliver Superior Value Goods / Services To Customers**
  - **Reduce SSA Long Term Contract Award Cycle by 50%**

STRATEGIC SUPPLIER ALLIANCES

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Why Pursue Strategic Supplier Alliances?

- Facilitates DLA / Customer / Supplier Partnerships
- Drives Mutually Beneficial Strategies & Collaboration
- Provides Teaming Goals & Outcome Metrics
- Executive Level Steering Group Leadership
- Joint Steering Group Defines Pre-Charter Goals, Objectives, Plan of Action, Milestones, Desired Outcomes, Improvement Opportunities
- Lead Center Improvement Team Focuses On SSA Development, Opportunities, Partnership Metrics

STRATEGIC SUPPLIER ALLIANCES

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- **Lead Center Assigns Supplier Relationship Manager To Manage Relationship & SSA Development Via Processes Identified Below:**

- **Needs Determination**
- **Infra-structure Development**
- **Implementation**
- **Monitoring & Measuring**

STRATEGIC SUPPLIER ALLIANCE DEVELOPMENT PROCESSES

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Needs Determination

I.D. Candidate, Stakeholders, Benefits, Focus, Goals, Action Plan, Milestones, Develop Charter

Infra-structure Development

Establish Executive Committee, Joint Steering Group, Concept Of Operations, Responsibilities & Roles, Targets of Opportunity

Implementation

JSG Assigns Champion / Creates Alliance Improvement Team & Adequate Resources: Approves Improvement Metrics, Plan Of Action / Metrics, Start of Improvement Opportunities

STRATEGIC SUPPLIER ALLIANCE DEVELOPMENT PROCESSES

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Monitoring & Measuring

Improvement Team Briefs Progress & Results to Joint Steering Group (JSG)

JSG Provides Periodic Status To Executive Committee

Executive Committee & JSG Reassess Goals, Objectives & Improvement Opportunities

MONITORING & MEASUREMENT METRICS

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DLA Strategic Supplier Metrics Include….

- NSN Award Growth
- Product Quality Deficiency Reports
- Back Order Performance
- Administrative & Production Lead Time Reductions
- Materiel Cost Reductions / Price Controls
- Delinquencies
- Total Annual Demand Values
- Other DLA & Strategic Supplier Metrics

SSA PROGRAM STATUS

- Initial Efforts Focused on Sole Source Providers
- Policy Provides For SSA's With Competitive Suppliers & Encourages Use of Military Services' Agreements
- Cognizant of Socio-Economic Programs & Bundling Restrictions

What's In It For SSA Partners?

- Executive Program Management Visibility
- Mutually Productive Supply Chain Partnership
- Sharing of Strategies / Operational Expectations
- Continuous / Effective / Feedback
- Collaboration On Demand Planning / Forecasting / Sales / Pricing / War Fighter Satisfaction
- Small Business Subcontracting Opportunities

What's In It For SSA Partners?

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- Improved Supplier / Provider / Customer Relationships Via Improved Processes / Efficiencies

- Mitigation of Business Risks For You & DLA

- Cost Effective Best Value Combat Logistics Support!

CONCLUSIONS

- Strategic Supplier Alliances Are Win / Win / Win Partnerships!
- Focuses DLA / Supplier / Customer Expectations
- Structured & Frequent Collaboration
- Senior Executive Level Program Management
- Shared Goals & Performance Metrics
- Potential Performance Incentives
- Foundation of Performance Based Logistics

STRATEGIC MATERIEL SOURCING

STRATEGIC MATERIEL SOURCING

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- **Part of DLA Strategic FY01-05 Business Plan Goals / Objectives Structured To:**

- **Provide Responsive Best Value Supplies / Services Consistently To Our Customers**

- **Cost Effectively Increase Hardware Combat Support Capability Through Utilizing Strategic Materiel Sourcing Techniques and Partnering With Industry by Forging Long Term Strategic Supplier Alliances**

STRATEGIC MATERIEL SOURCING

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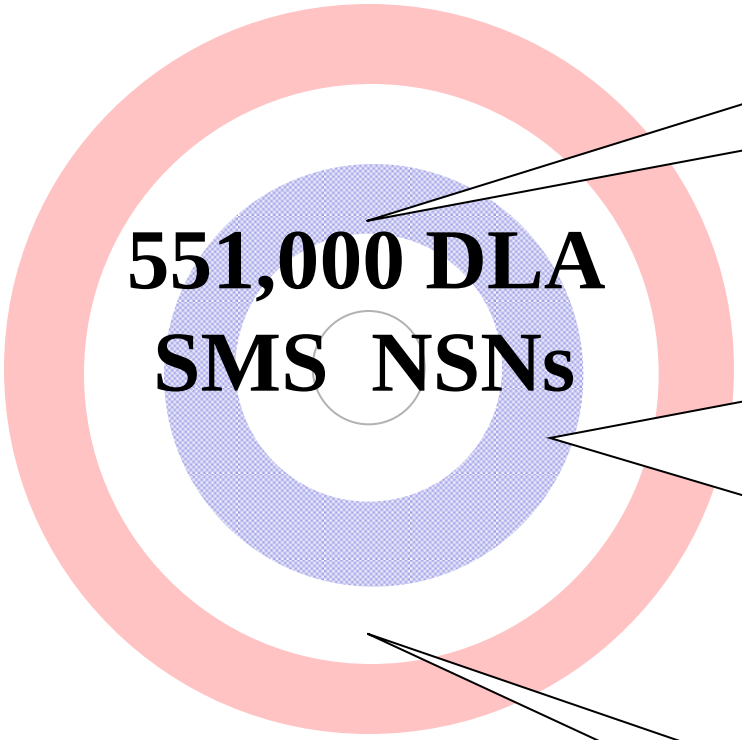
- **Strategic Materiel Sourcing** Allows Inventory Control Points (ICPs) To Identify DLA-Managed Items of Strategic Importance To War Fighters

- SMS Program is Method For Developing Sourcing Strategies & Priorities for Target National Stock Numbers Market Groups….

- To Achieve This… ICPs Group SMS Population Items Into Logical Product Market Baskets for Long Term Sourcing Arrangements

Strategic Materiel Sourcing

DLA's Item Grouping Tool



Demand / Spend

20% of items with 80% of sales
Data For 2 & 3 Years

Readiness Factors

Surge & Sustainment Items, Not Mission Capable Drivers and Weapon System Identifier Code & Critical Items with high Production Lead Time

Business Systems Modernization Concept Demonstration

Targets of Opportunity

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Strategic Materiel Sourcing

Items representing largest business drivers

-- Demand / Spend
-- Readiness Factors
-- Business Systems Modernization Concept Demo

Performance Based Logistics

Strategic Supplier Alliances

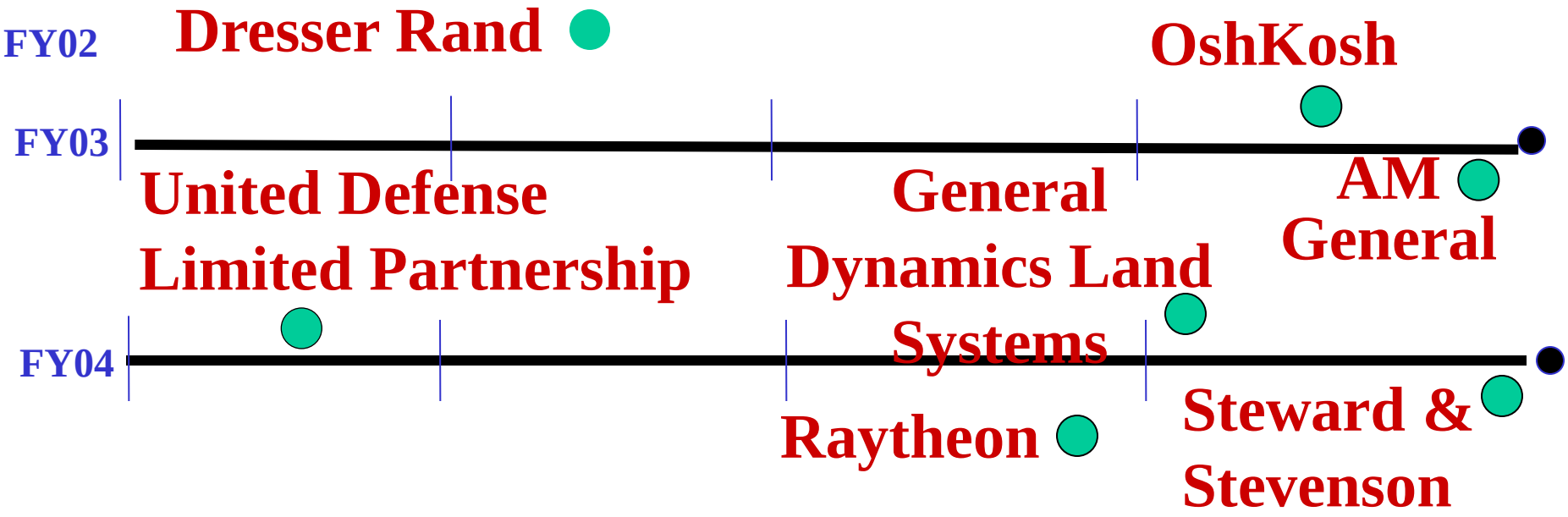
Vendors representing largest business base

-- Large Annual Sales
-- Multiple Customer Support Requirements
-- Strategic Partnering

FY03-07 POM Commitment of $224M In Inventory Savings

DSCC Strategic Supplier Alliance Execution Plan

Aug 2003



- **Current & Proposed DSCC SSAs Annual Demand Values Total: $399 Million**

Completed & Potential DLA Strategic Supplier Alliances

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FY 02 Candidates	Annual Obligations	NSNs
BAE Systems, Boeing, Dresser Rand		
Parker Hannifin, General Electric, Eaton		
Northrop Grumman, Lockheed Martin		
Total	**$287.1 Million**	**17,348**
FY 03 Candidates		
Rolls Royce, Canadian Commercial Corp		
Avibank, Hamilton Sundstrand,		
General Dynamics Land Systems, OshKosh, AM General, Textron		
Total	**$231.7 Million**	**10,918**
FY 04 Candidates		
SPS Technologies		
Total	**$ 1.5 Million**	**127**

DSCC Strategic Materiel Sourcing
National Stock Number / Values

	NSNs	Annual Values
• **Total DSCC SMS NSNs**		**139,608 ($1.7B)**
– Demand / Sales Drivers	**68,129**	
– Readiness Items	**35,312**	
– All Other Categories	**36,167**	
• **Total SMS NSNs on LTC**		**50,592 ($764M)**
– Demand / Sales Drivers	**23,255**	
– Readiness	**3,441**	
– All Other Categories	**23,896**	
• **SMS NSNs Now Being Assessed**		**60,727 ($851M)**

Assessed Resulting In No Action: 28,289 NSNs

QUESTIONS / COMMENTS?